

Minutes of the Finance Committee

Wednesday, May 4, 2005

Chair Haukohl called the meeting to order at 8:48 a.m.

Present: Supervisors Pat Haukohl (Chair), Bonnie Morris, Genia Bruce, Don Broesch, and Ken Herro. Jim Behrend arrived at 8:51 a.m. and Joe Marchese arrived at 8:54 a.m.

Also Present: Legislative Policy Advisor Mark Mader, Chief of Staff Lee Esler, County Board Chair Jim Dwyer, Principal Financial Projects Analyst Bob Ries, Administration Director Norm Cummings, Accounting Services Manager Larry Dahl, Employee Benefits Administrator Pete Hans, and Budget Manager Keith Swartz.

Approve Minutes of 4-20-05

MOTION: Bruce moved, second by Broesch to approve the minutes of April 20th. Motion carried 5-0.

Behrend arrived at 8:51 a.m.

Chair's Executive Committee Report of 5-2-05

Haukohl said state legislator Scott Fitzgerald was present at the May 2nd Executive Committee meeting to discuss issues such as the state budget, another possible Taxpayer's Bill of Rights (TABOR), significant legislation, etc.

Joe Marchese arrived at 8:54 a.m.

Schedule Next Meeting Dates

May 18th

Announcements

Haukohl said she will be delivering a flood disaster relief check from the federal government to the Village of Butler for \$30,000 toward their 124th Street sewer project.

Review Correspondence

Copies of "Waukesha County Sheriff's Department Asset Forfeiture Allocations" were provided to the committee by Sheriff's Department staff for informational purposes as requested by Broesch at a recent meeting.

Legislative Update

Copies of Legislative Policy Advisor Dave Krahn's updated 2005 state legislation chart were distributed. Krahn will be scheduled for a future meeting when he is available.

1st Quarter Status Report on Investments

Ries, Cummings, and Dahl were present to discuss this item as outlined in Ries' report including investment yields, investment revenues, average daily balances, total County investment income, total County investment balances, total County average investment rates, investment portfolios by investment advisor / investment type, etc.

The return for the 1st quarter increased from 0.79% to 0.93%. This increase was largely due to gains on the sale of investments of approximately \$284,000 during the 1st quarter. These securities were sold to meet expected cash flow needs during the year, with \$3.5 million withdrawn from the Galliard portfolio, and \$4.5 million withdrawn from the JP Morgan portfolio. With the expectation that interest rates would continue to rise (which would cause bond prices to decrease), the securities were sold to avoid potential losses on sales later in the year.

The average invested balance increased by approximately \$20.6 million in the 1st quarter. This is consistent with the County's cash flow trend over the last several years where the County receives most of its revenues early in the year and draws them down to meet operating expenditures later in the year. Most of the increase in the money funds was due to the January and February property tax settlements, as well as the security sales.

With lower bond prices and higher interest rates in the 1st quarter, all three portfolio managers showed lower market returns for the quarter and had positive market returns of less than 2.0% for the last year. All three portfolio managers were ahead of their benchmarks for both the quarter and last year.

Health Insurance Update: 2004 Results, Self-Insurance Fund Status, Health Savings Account (HSA) Review of Viable Alternatives During 2005

Hans distributed copies of "Waukesha County Point-of-Service Health Plan – Loss Ratio History" (1999 to 2004), "Waukesha County Point-of-Service Plan Claim Reserve" (2004 and 2005), "Summary of Key Health Insurance Changes" (1999 to July 2005), Point-of-Service Health Plan Premium Increases and CompCare HMO Premium Increases" (1999 to 2005), and Health Plan Enrollment (March 2005)."

Cummings said previous changes made to the health insurance plans for both employees and retirees are starting to benefit the County as costs are beginning to stabilize. Their number one goal is cost savings, not cost shifting. It's estimated that additional proposed changes to the retiree's health plan will benefit both the County and the retirees.

High health insurance costs for the County began in 1999. Cummings said at one time, our external auditors warned the County that reserves were too high so the County did not increase accordingly. Within the next two years the County spent \$2 million in reserves plus \$1 million more although the County currently has a good reserve level. Over \$3 million had been borrowed from the general fund and a seven-year payback plan was established. Also, the County Board had approved budgeting \$500,000 in fund balance to subsidize the retirees health insurance plan for one year until a new plan could be implemented. Cummings said the new plan is in place and only \$125,000 was needed. The remainder lapsed into the general fund. Due to plan changes over the last two years there is about \$1 million over what is minimally needed in the reserves. If this trend continues, Cummings would like to shift \$1 million next year and pay back the general fund.

Hans gave history of key health insurance changes since 1999. The employee premium cost sharing formula was increased from 5% to 10% for bargaining unit employees in 1999 and for non-represented employees in 2000. In 2000, the County's reserves were being depleted. The

key driver was the retiree health insurance plan so the plan design was modified by increasing drug and office visit co-payments. Other changes followed for each of the plans and in 2004 Hans said we began to see positive results. In January of 2005, additional changes were made to the retiree health insurance plan and the County subsidy was eliminated. Staff expect to see more positive results.

In July of 2005, the Point-of-Service health plan drug benefit for non-represented employees will be modified by adding a 4th tier (\$100 co-pay) for high cost biotech medications.

Hans said they are currently evaluating its options under the new Medicare Part D prescription drug benefit for the retiree health insurance plan. As with changes in prior years, the retirees will be involved in this decision making process. Staff are also evaluating the feasibility of offering a high deductible health plan supplemented with either a health savings account (HSA) or a health reimbursement account as an alternative to the existing active employee health plans. HSA's are a good way for the employee to fund part of the deductible. Hans said an HSA will roll over if the employee doesn't use it. It is also portable and can be used to cover post employment health care expenses. Cummings said the challenge will be finding a plan that is attractive to both higher and lower salaried employees.

Cummings reviewed Point-of-Service and CompCare health plan premium increases from 1999 through 2005. In 1999, the Point-of-Service premium for a single plan was \$199.74 and in 2005 it was \$440.33. The CompCare premiums were similar: \$249.06 in 1999 and \$529.81 in 2005. As of March 2005, Hans said 353 active employees were in the Point-of-Service single plan and 696 were in the Point-of Service family plan. Currently, the monthly premium for the Point-of-Service family plan is \$1,166.64. There were 78 active employees in the CompCare HMO single plan and 127 in the CompCare HMO family plan. The monthly premium for the single plan is \$529.81 and the family plan is \$1,377.49. There are a total of 254 retirees in the retiree health insurance plan which has varied monthly premiums depending on the plan of choice, ranging from \$111 to \$1,380.

Discuss Possibility of Recouping County Costs from Tax-Exempt Entities

Cummings distributed information from the State Legislative Audit Bureau on local government user fees. Local governments have broad authority to implement user fees that reasonably cover the costs of their operations. User fees differ from taxes which must be authorized by the State Legislature. There are over 500 different user fees charged by local governments statewide. Cummings reviewed the County programs / departments which charge user fees.

Cummings said religious, government, schools, and civic organizations are some of the largest groups of tax-exempt entities. Certain criteria must be met in order to be classified as tax exempt. Mader read aloud from the State Statutes and advised that non-profit hospitals, bible camps, women's clubs, historical societies, humane societies, and many others are also tax-exempt.

Herro asked if the County was providing services to tax-exempt entities above and beyond what we should be providing. Cummings was not aware of any. He said we have agreements with a lot of non-profits who we pay to serve our clients. Cummings said we should look more at municipalities and he was concerned because they can charge user fees to County government. For example, Haukohl asked can the County charge a church for having to construct a turn lane

due to church traffic? Cummings agreed with Behrend who believed the church would pay for the access permit. Cummings was unsure of other possible charges. Cummings added that an entity may be tax-exempt but not property tax-exempt.

Discuss Finance Committee Parameters with Regards to Approving Fund Transfers

Haukohl said a concern by a fellow County Board Supervisor was brought up with regards to the Finance Committee having sole approval over fund transfers, in particular, those that involve large amounts of money from the contingency fund. Haukohl asked if there should be a monetary limit before it goes into ordinance form. Cummings distributed information on this issue including a copy of the fund transfer that raised the concern.

Cummings said the State Statutes dictate that any County can delegate to its Finance Committee the ability to approve the transfer of funds within an individual agency, if such funds for the items have been separately appropriated. It also allows the County Board to delegate to its Finance Committee the ability to transfer up to 10% of a specific budget from the contingency fund. Cummings said departments are advised to submit an ordinance if it involves a new program, new money, changes the bottom line of a budget, or it's for something not consistently in the budget, unless it's an emergency. He noted that ordinances have come forward involving fund transfers for less than 10% of a budget. Cummings advised that the committee can choose not to approve a fund transfer at any time and request that it be submitted as an ordinance.

Cummings believed the County Board should trust the Finance Committee on fund transfers and leave it to the committee's discretion when a fund transfer should be an ordinance. Primarily because the Finance Committee has the best handle on the overall budget and they have the most experience in dealing with fund transfers. He added that the Finance Committee has never rubber stamped a fund transfer. Cummings said state law does allow the County to place restrictions on how much contingency dollars can be transferred via a fund transfer. Behrend said he was comfortable with the current system and felt it was working well.

Future Agenda Items

Status Update by Herro on the Strategic Planning Process

Announcements

Haukohl announced that Vice-chair Broesch will attend the County Executive's June 9th budget kick-off meeting in her absence and he will give a report at the June 22nd committee meeting.

MOTION: Herro moved, second by Behrend to adjourn at 11:45 a.m. Motion carried 7-0.

Recorded by Mary Pedersen, Legislative Associate, County Board Office.

Respectfully submitted,

Bonnie J. Morris
Secretary